

Acquisition of Bradken



October 3, 2016

Hitachi Construction Machinery Co., Ltd.

Yuichi Tsujimoto, President and Chief Executive Officer

Overview of Bradken

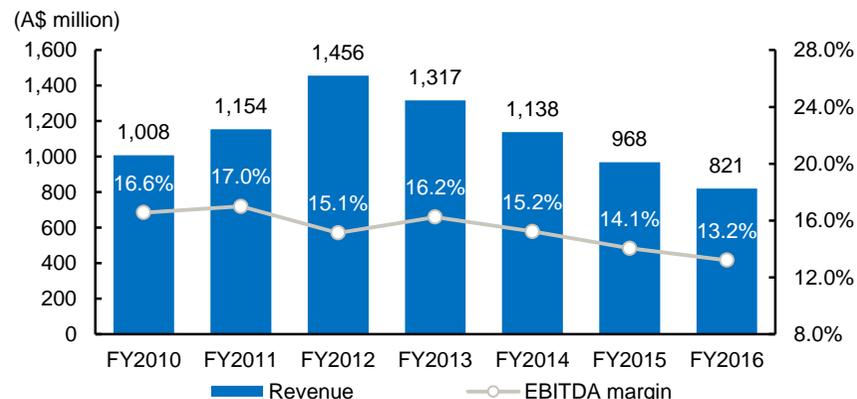
Name	Bradken Limited
Business	Casting, manufacturing and distribution service of casting products
Representative	Paul Zuckerman (CEO)
Headquarters	Newcastle (NSW), Australia
Established	1922
No. of employees	Almost 3,500
Stock listing	Australian Stock Exchange (ASX: BKN)

Overview of the Transaction

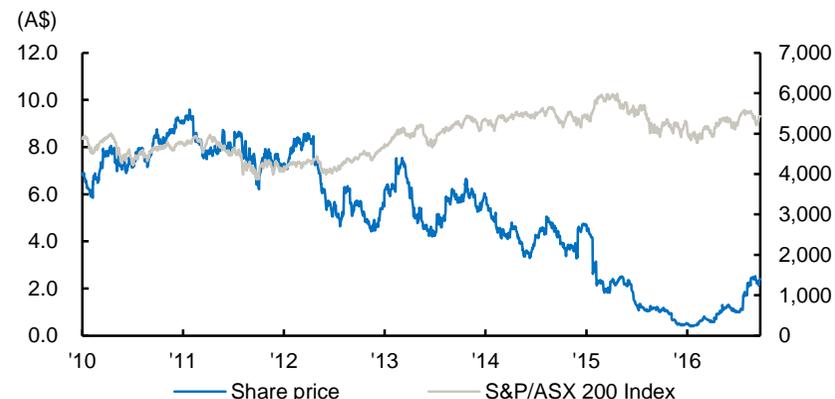
Acquisition price	A\$ 3.25 per ordinary share (a 37.7% premium to the 1 month VWAP of Bradken shares up to 30 September) Maximum total consideration of A\$ 689 million (JPY 51.6 billion JPY75=A\$)
Acquisition structure	A cash takeover offer for 100% of the ordinary shares
Source of funds	Existing cash reserves and external funding
Anticipated schedule* ¹	Middle to late Oct. 2016: Commence takeover bid Early to middle Dec. 2016: Complete takeover bid

*1 The schedule is subject to extension

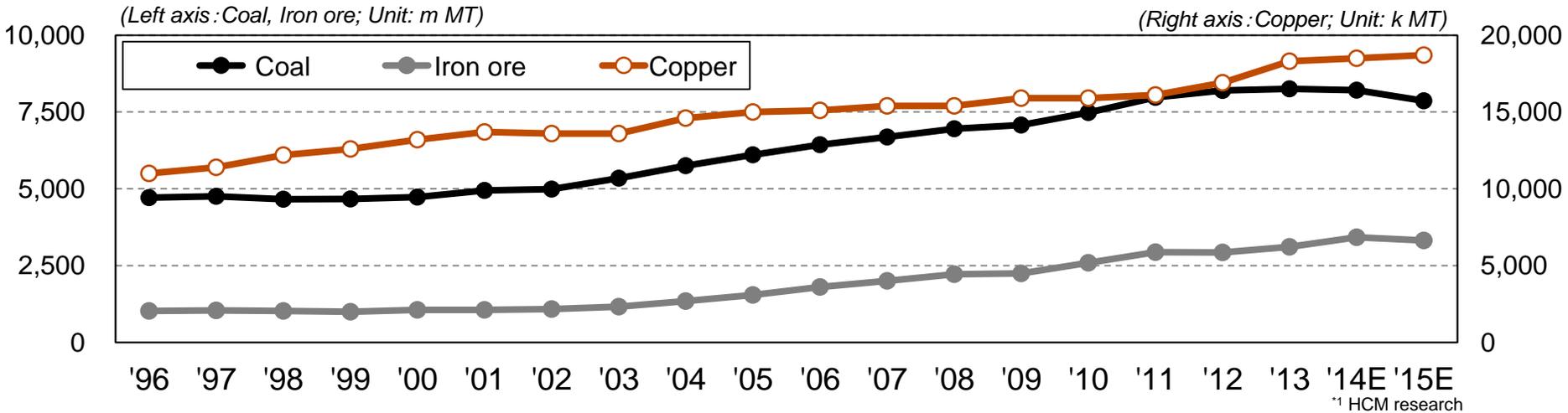
Key Financials



Share Performance



Global production of coal & iron ore & copper (1996~)*1



Industry Trends

- ◇ Recovery in the demand for mining equipment (medium/long-term)
 - Growth market in the medium to long-term
- ◇ Increase in customers' needs: improvement in safety and productivity, decrease in life-cycle cost
 - Differentiate by providing value added solutions to customers' challenges
- ◇ Innovation led by ICT·IoT
 - Accelerate innovation in production and operating sites

Strategic Rationale of the Acquisition

- ✓ Enhance value chain through strengthening of mining wear parts with GET^{*2} as a core
- ✓ Broaden global customer coverage through acquisition of Bradken, the leading mining wear parts brand
- ✓ Create higher value-added products/services by combining superior technology, product capability and business know-how

*2 GET (Ground Engaging Tools): broadly refers to consumables such as bucket tooth



Mining wear parts business



Specialty castings business



High-precision wear parts for mobile mining equipment

Revenue : A\$228.4mm
% total revenue : 27.8%

✓ Global leader in crawler systems, GET

- Crawler systems
- GET
- Industrial product for infrastructure

Wear surface solutions for fixed plant mining equipment

Revenue : A\$349.5mm
% total revenue : 42.6%

✓ Global leader in metallic mill liners

- Metallic mill liners
- Wear surface solutions
- Pipes for oil sands business

High-spec, specialty castings for the industrial, energy and defence industries

Revenue : A\$227.2mm
% total revenue : 27.7%

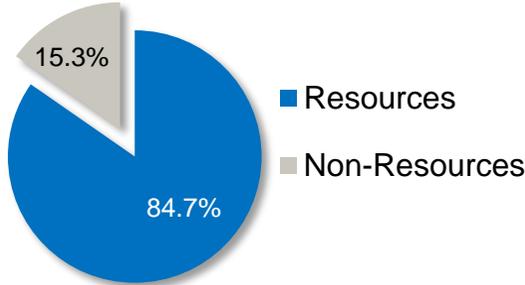
✓ Customized specialty castings

- Customized castings for US military, power plants, energy and construction

* Revenue and % Total Revenue based on 2016/6A.

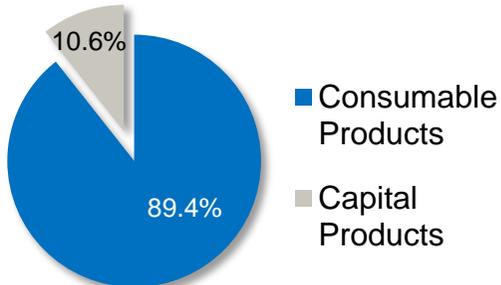
In addition to these three businesses, Bradken's total revenue includes Cast Metal Services (A\$13.9 mm, 1.7%), Others (A\$1.6mm, 0.2%).

REVENUE BY INDUSTRY SECTOR



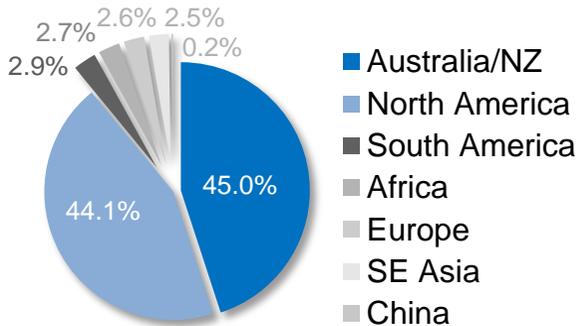
✓ Strong presence in the resources sector

REVENUE BY PRODUCT



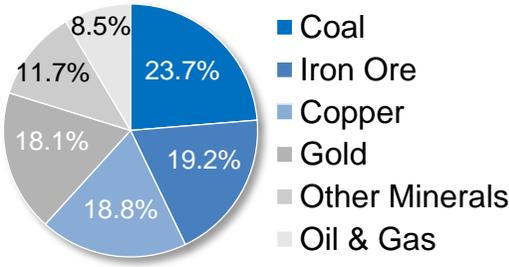
✓ Consumable products account for c. 90% of total revenue

REVENUE BY REGION



✓ Strong presence in Australia and North America

REVENUE BY COMMODITY

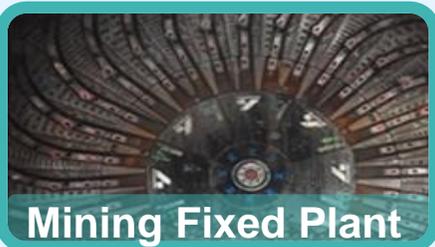


✓ Well-balanced exposure to commodities

Note: Revenue for FYE 2016/6.

Core Products for Bradken

Mining wear parts business



Crawler systems



Ground Engaging Tools



Rail couplers and spare parts



Customised mill liners



Wear surface solutions for processing plants



Live, remote wear monitoring technology

Specialty castings business



Industrial

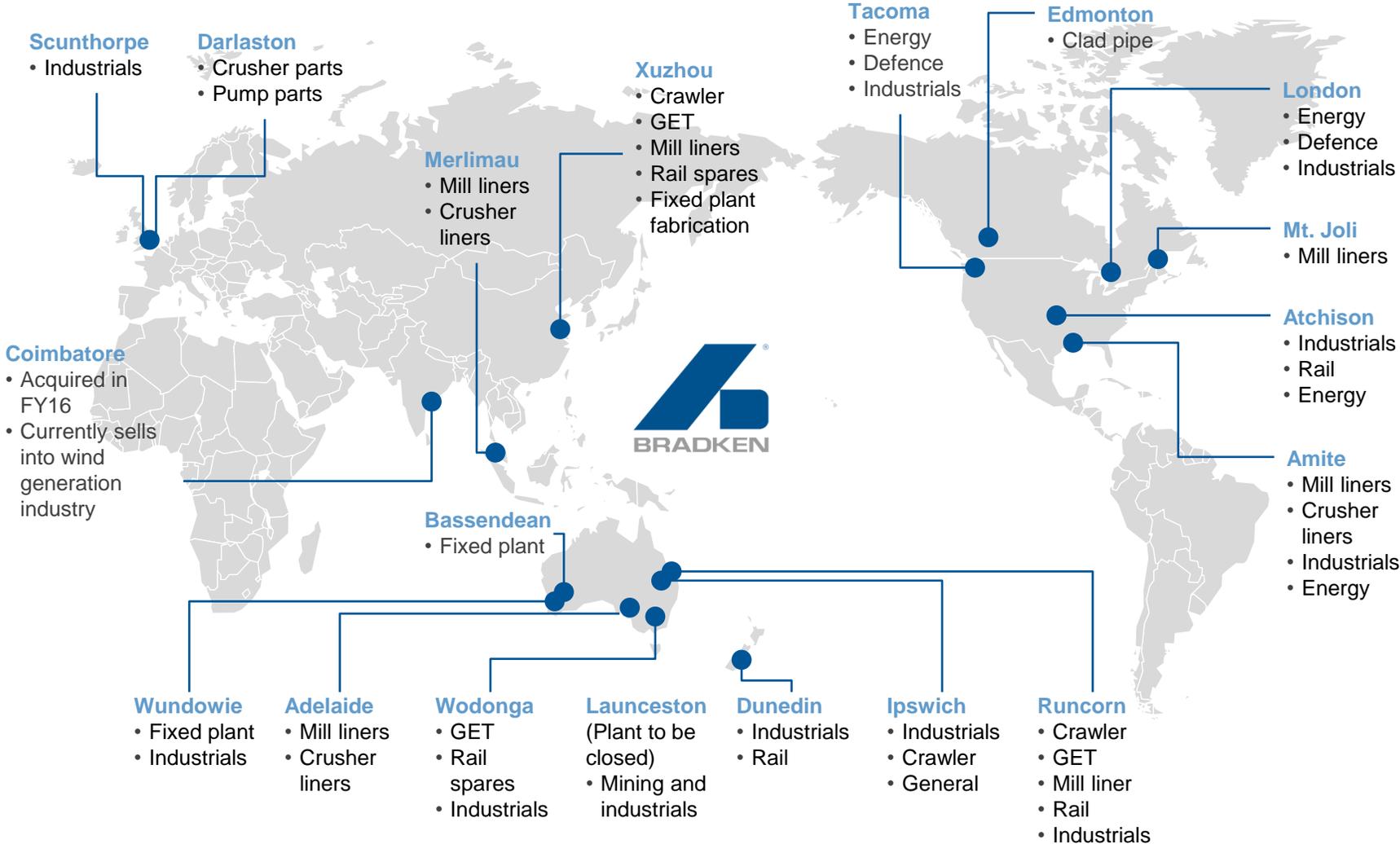


Energy



Defence

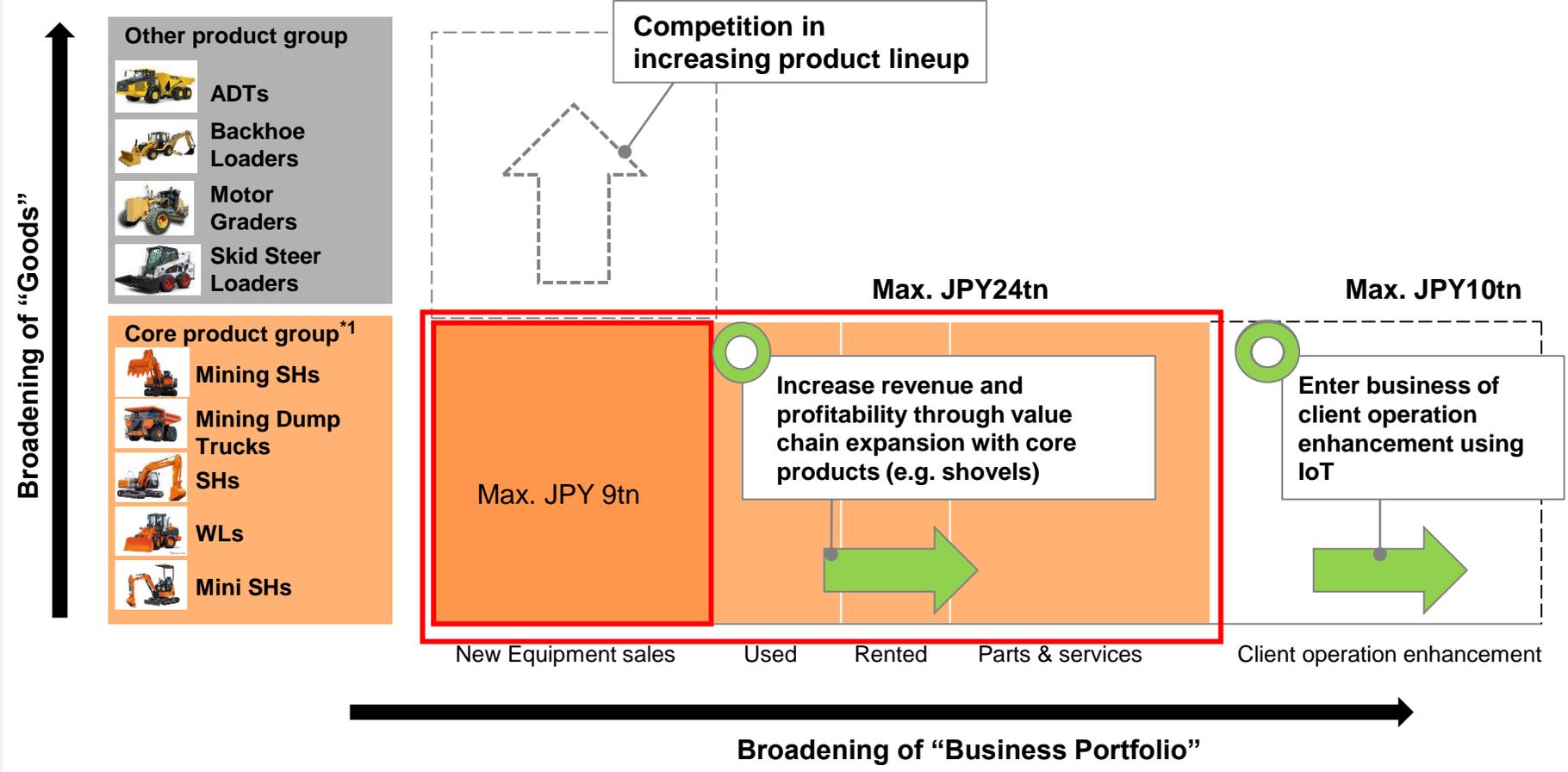
Overview of Bradken ~ Manufacturing Facilities ~



The potential market size will double through initiatives to develop the entire value chain, rather than widening the product lineup.

Market Size of Core Product Group in Construction & Mining Machinery

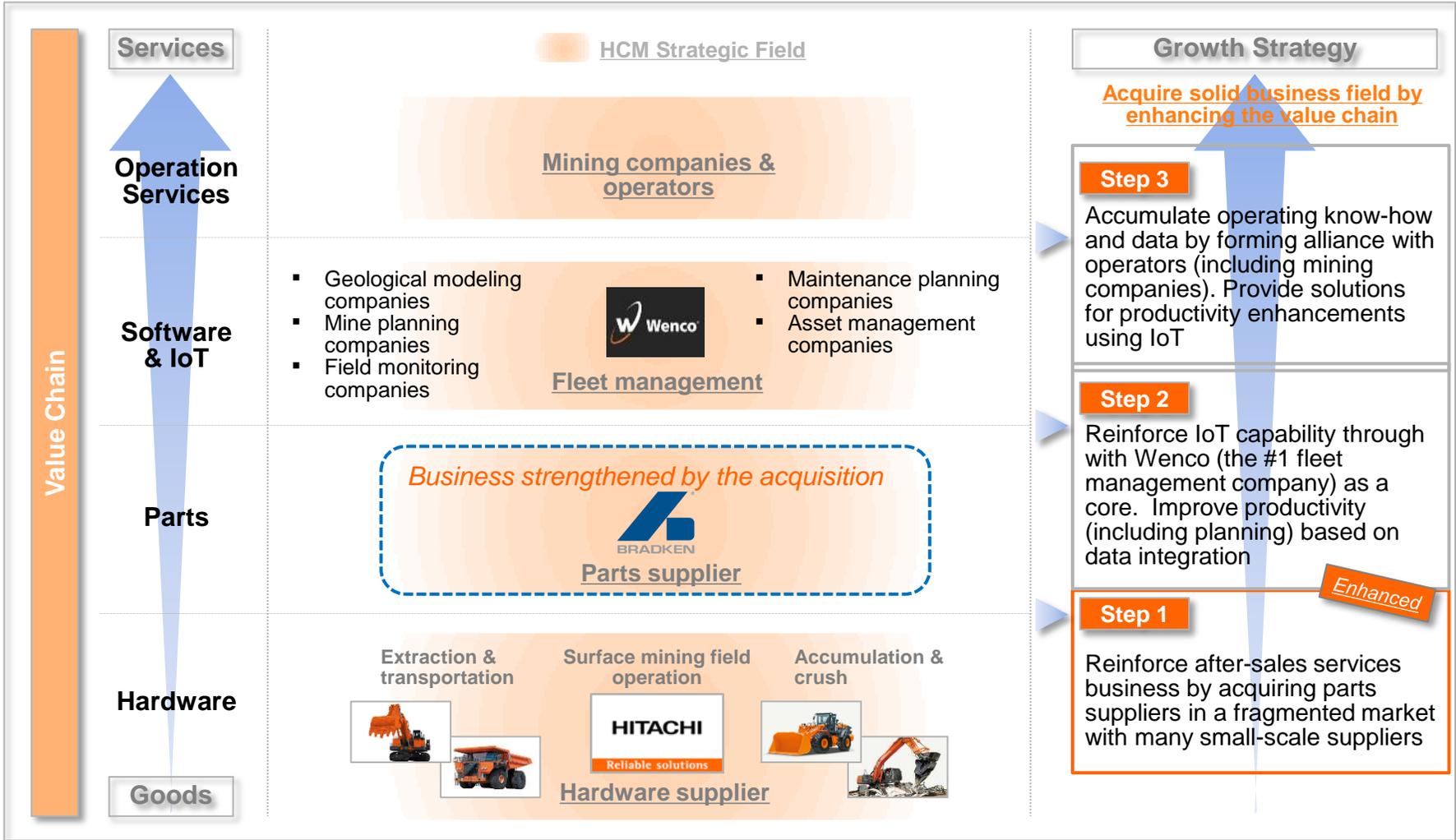
@ US\$1=JPY120 in 2014



*1: Mining shovels, mining RDTs, mini shovels, wheel loaders, medium-sized shovels

Source: Off-Highway, Freedonia, Company Reports, IRN, Expert Interview, Team Analysis, Parkerbay, Capital IQ

The acquisition of Bradken will enable HCM to provide comprehensive solutions for client productivity enhancements; a stronger after-sales business with Bradken at its core service parts supplier and effective utilization of software and IoT.

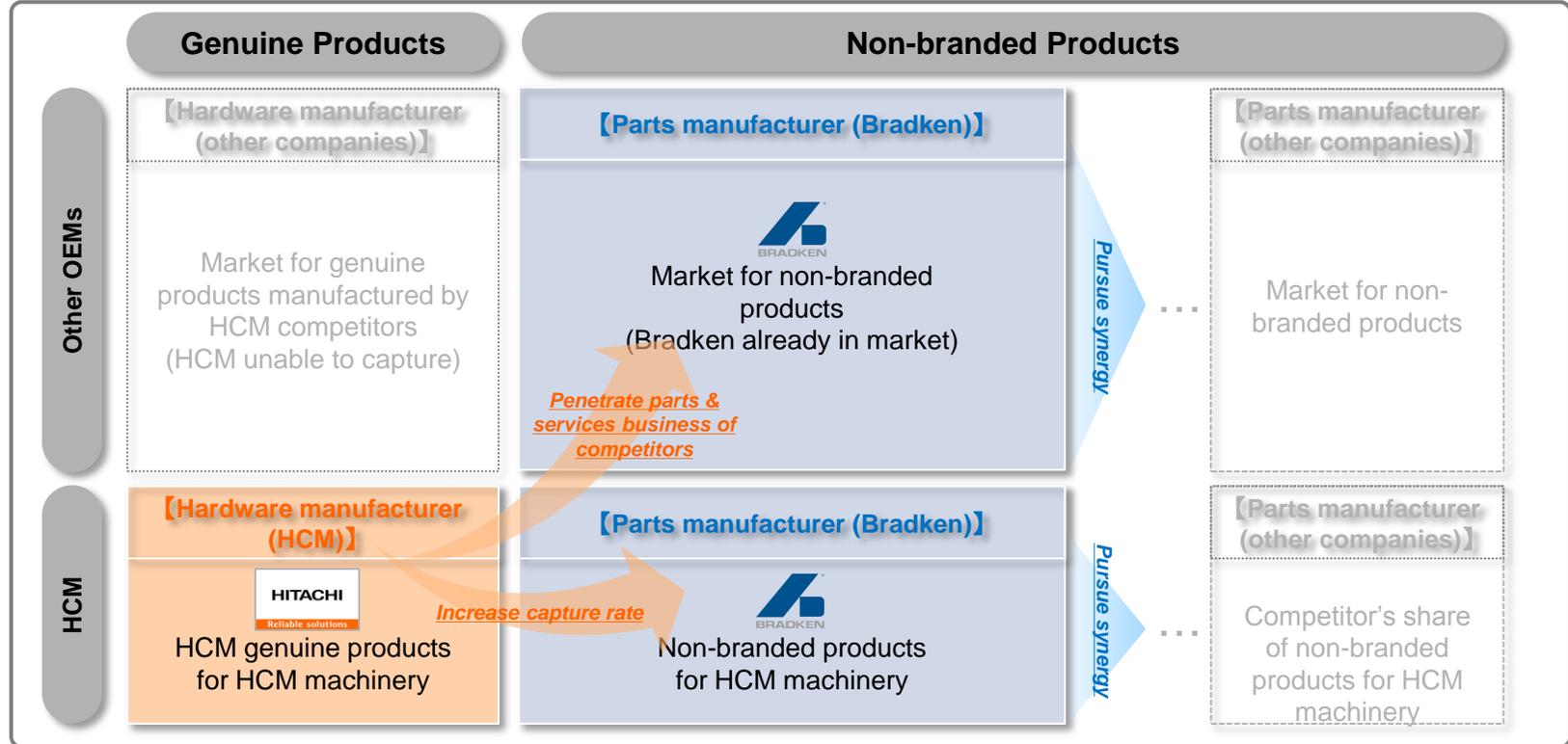


Anticipated Synergies (1): Enhancement of Value Chain through Reinforcement of the Mining Wear Parts Business

The acquisition of Bradken will not only raise the capture rate of mining wear parts used in our own construction machinery, but also raise those in our competitors' machinery.

Landscape of Construction & Mining Machinery Parts & Services Market

Combined Market of Parts & Services

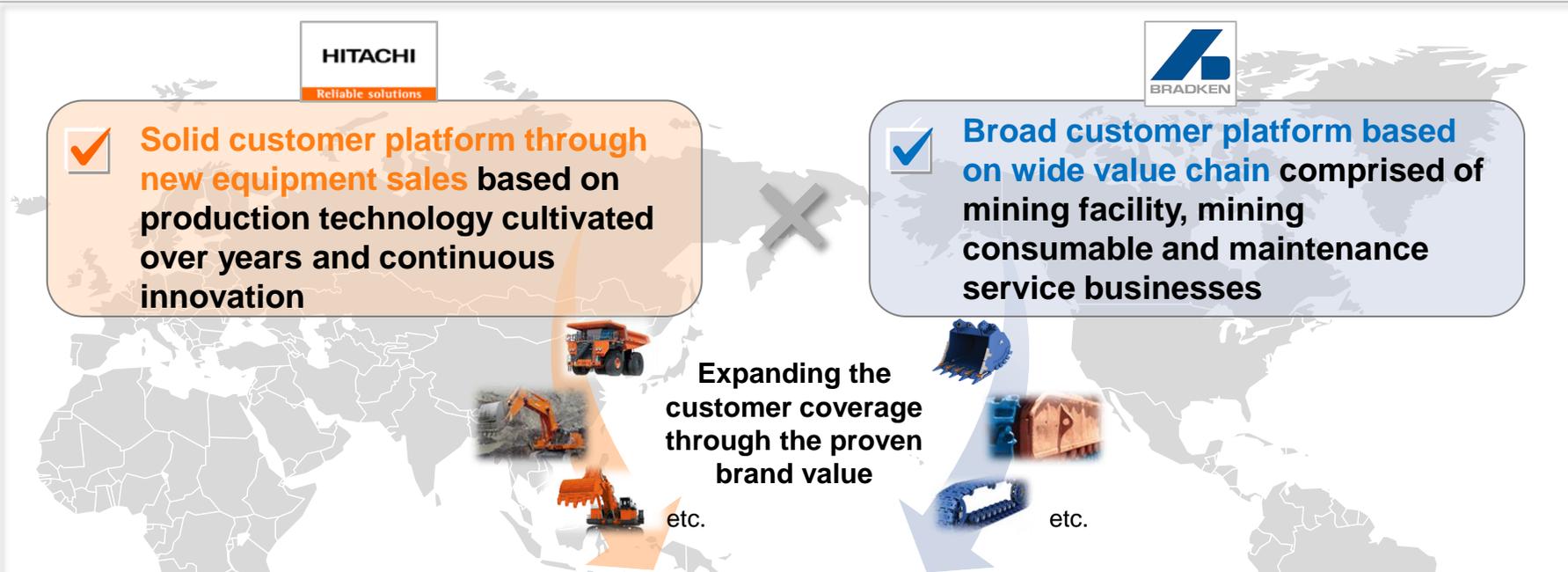


Capture Rate:
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Capture Rate:
High

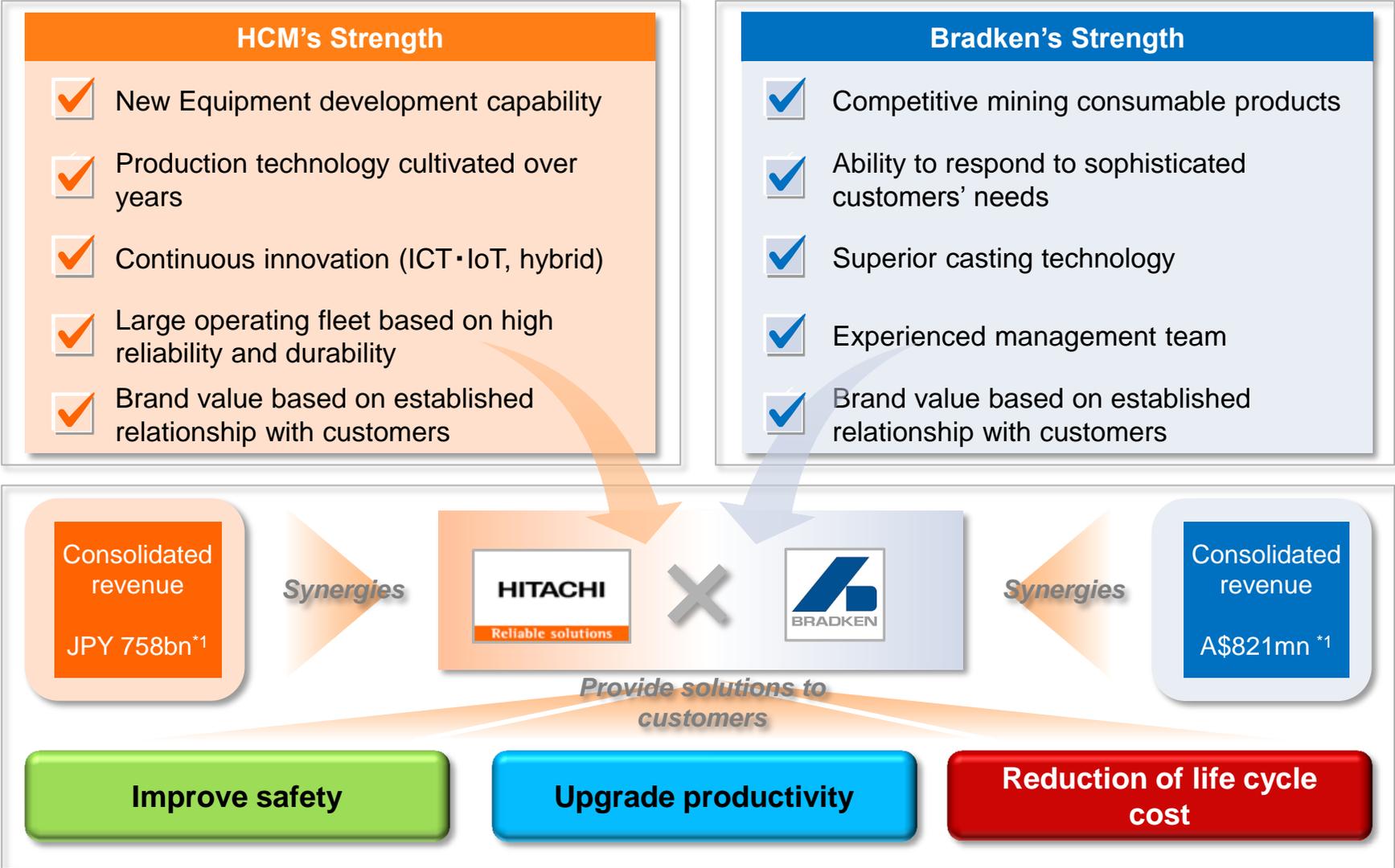
Expansion of global customer coverage through the combination of the HCM and Bradken brands



【Customer coverage by region*】		N. America	S. America	Europe	Africa	Asia	Oceania
HCM	New Equipment	✓✓	✓	✓	✓	✓✓	✓✓
Bradken	GET	✓	✓	✓	✓	—	✓✓
	Mill Liners	✓✓	✓✓	✓	✓✓	✓✓	✓✓

* HCM: Based on the operating unit shares of operating mining equipment. Bradken: Based on units implied by market share by revenue

Combining Superior Technology, Product Capability and Operational Know-How



*1 HCM: 2016/3A; Bradken: 2016/6A



Encourage Growth and Seeds for the next

Innovative change for the continuous profitable constitution

Seeds for Growth

Growth Strategy (Strategic enhancement)

- Wheel Loaders
- Dump trucks
- Parts & Service
- R & D

- Business Structural Reform
- Cost Structural Reform
- Restructuring of Production
- SCM Reform

